

Message Text

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PAGE 01 LONDON 16104 211420Z

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 SIL-01 PA-02 PRS-01 USIA-15 /050 W

----- 066158

R 211409Z OCT 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5740

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

USMISSION OECD PARIS

UNCLAS LONDON 16104

E.O. 11652: N/A

TAGS: ELAB, UI

SUBJECT: AMERICAN FIRM IS OBJECT LESSON IN MAINTENANCE
OF GOVERNMENT PAY POLICY

SUMMARY - A SUBSIDIARY OF ITT, THE STANDARD TELEPHONES
AND CABLES HQ INFORMED UNION REPRESENTATIVES THAT IT
MUST REVERSE ITS PAY ACCORD WITH 3,000 SKILLED AND SEMI-
SKILLED WORKERS IN THREE OF ITS NORTHERN IRELAND PLANTS
WHICH WOULD HAVE VIOLATED THE GOVERNMENT'S PAY POLICY
STRICTURE FOLLOWING THE GOVERNMENT'S THREAT TO INVOKE
SANCTIONS AGAINST THE COMPANY. END SUMMARY.

1. THE STC HAD ACTUALLY AWARDED RAISES RANGING FROM 7
POUNDS TO 9 POUNDS TO ITS WORKERS UNDER AN AGREEMENT
BACKDATED TO JULY 1 BUT NOT SIGNED UNTIL JULY 29 (THE
GOVERNMENT'S ANTI-INFLATION WHITE PAPER WAS PUBLISHED ON
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JULY 11). THE STC AGREEMENT VIOLATED TWO OF THE GOVERN-

MENT'S STRICTURES: ONE AGAINST PAY RISES ABOVE SIX POUNDS AND THE OTHER AGAINST INTERVALS FOR PAY RISES WHICH WERE LESS THAN 12 MONTHS. SECRETARY OF STATE FOR EMPLOYMENT MICHAEL FOOT HAD WARNED STC THAT IF IT DID NOT RENEGOTIATE ITS AGREEMENT WITH THE UNIONS INVOLVED (ENGINEERS, ELECTRICIANS AND BUILDING WORKERS), THE GOVERNMENT WOULD APPLY COMMERCIAL SANCTIONS THROUGH THE STATE PURCHASING AGENCIES WHICH BUY MORE THAN HALF OF THE STC'S 333 MILLION POUNDS ANNUAL SALES IN THE UK.

2. THE UNIONS IN THE PLANTS INVOLVED WILL BE MEETING SHORTLY TO DECIDE WHAT ACTION THEY WILL TAKE, BUT IT IS ALMOST CERTAIN THAT THE COMPANY WILL BE FORCED TO ACCEDE TO THE GOVERNMENT'S REQUEST. THE GOVERNMENT CHOSE A USEFUL OBJECT LESSON IN THE STC CASE, BUT THIS IS NOT THE ONLY SITUATION WHERE A PAY-BREACH PROBLEM EXISTS. FOR EXAMPLE, AT ANOTHER NORTHERN IRELAND FACTORY -- MACKIES TEXTILE MACHINERY -- WORKERS ARE REMAINING ON STRIKE UNTIL THE COMPANY AGREES TO PAY A 6 POUND A WEEK RAISE BACKDATED TO AUGUST 3, ALTHOUGH UNDER THE PAY POLICY THEY WOULD NOT BE ELIGIBLE FOR AN INCREASE UNTIL FEBRUARY. THERE IS ALSO A DISPUTE OVER INTERPRETATION OF THE 6 POUND PAY LIMIT INVOLVING 8,500 WORKERS AT BRITISH LEYLAND'S BUS AND TRUCK DIVISION IN LANCASHIRE. THE STC CASE WAS THE FIRST ACTUAL BREACH OF THE PAY LAW, BUT THE GOVERNMENT IS WATCHING CLOSELY EACH OF THESE AND SIMILAR CASES WHICH COULD LEAD TO AN EROSION OF ITS ANTI-INFLATION POLICY.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, LABOR UNIONS, SUBSIDIARIES, WAGE RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LONDON16104
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750365-0766
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751033/aaaabdlb.tel
Line Count: 91
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 14 OCT 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 OCT 2003 by buchant0>; APPROVED <11 FEB 2004 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: AMERICAN FIRM IS OBJECT LESSON IN MAINTENANCE OF GOVERNMENT PAY POLICY
TAGS: ELAB, UK, ITT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006